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Garlock and Company
1450 El Camino Real
Menlo Park, CA 94025

2007-098703
02:35pm 06/28/07 DR Fee: 46.00
Count of pages 14
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County of San Mateo
Warren Slocum
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When Recorded, Mail To:
Executive Officer
California Regional Water Quality Control Board
San Francisco Bay Region
1515 Clay Street, Suite 1400
Oakland, California 94612

14 p/ac

**COVENANT AND ENVIRONMENTAL RESTRICTION
ON PROPERTY**

2555 Pulgas Avenue
East Palo Alto, San Mateo County
(APN Nos 063-121-020, 063-121-200, 063-121-210)

This Covenant and Environmental Restriction on Property (this "Covenant") is made as of the 7th day of June, 2007 by Garlock & Company ("Covenantor") who is the Owner of record of that certain property situated at 2555 Pulgas Avenue, in the City of East Palo Alto, County of San Mateo, State of California, which is more particularly described in Exhibit A attached hereto and incorporated herein by this reference (such portion hereinafter referred to as the "Burdened Property"), for the benefit of the California Regional Water Quality Control Board for the San Francisco Bay Region (the "Board"), with reference to the following facts:

- A. The groundwater underlying the Burdened Property contains hazardous materials.
- B. Contamination of the Burdened Property. Soil at the Burdened Property was contaminated by releases of motor oil range petroleum hydrocarbons (TPH-MO), likely associated with maintenance and repair of equipment on the Burdened Property. These operations resulted in contamination of both soil and groundwater with TPH-MO, which constitute hazardous materials as that term is defined in Health & Safety Code Section 25260. Remedial measures undertaken in conjunction with the redevelopment of the property into a live-work project included the excavation and offsite disposal of TPH-MO impacted soil. While impacted soil above health and environmental based criteria has been completed, residual TPH-MO remains in underlying shallow groundwater. It is anticipated that the TPH-MO will naturally degrade over time and eventually restore water quality.
- C. Exposure Pathways. The contaminants addressed in this Covenant are present in groundwater on the Burdened Property. Without the mitigation measures which have been

performed on the Burdened Property, exposure to these contaminants could take place via ingestion or dermal contact with groundwater. The risk of public exposure to the contaminants has been substantially lessened by the remediation and controls described herein.

D. Adjacent Land Uses and Population Potentially Affected. The Burdened Property is being considered for redevelopment into a live-work project. Adjacent properties are industrial/commercial uses.

E. Full and voluntary disclosure to the Board of the presence of hazardous materials on the Burdened Property has been made and extensive sampling of the Burdened Property has been conducted.

F. Covenantor desires and intends that in order to benefit the Board, and to protect the present and future public health and safety, the Burdened Property shall be used in such a manner as to avoid potential harm to persons or property that may result from hazardous materials that may have been deposited on portions of the Burdened Property.

G. Environmental Fact Sheet. An Environmental Fact Sheet has been prepared for the Burdened Property and is attached hereto and incorporated herein by this reference as "Exhibit B". Prospective purchasers of the Burdened Property must be made aware of the existence of the Environmental Fact Sheet and a copy provided to them prior to entering into any sales agreement. The seller is responsible for providing a copy of the Fact Sheet to prospective purchasers in a timely manner and prior to accepting any purchase offer.

ARTICLE I GENERAL PROVISIONS

1.1 Provisions to Run with the Land. This Covenant sets forth protective provisions, covenants, conditions and restrictions (collectively referred to as "Restrictions") upon and subject to which the Burdened Property and every portion thereof shall be improved, held, used, occupied, leased, sold, hypothecated, encumbered, and/or conveyed. The restrictions set forth in Article III are reasonably necessary to protect present and future human health and safety or the environment as a result of the presence on the land of hazardous materials. Each and all of the Restrictions shall run with the land, and pass with each and every portion of the Burdened Property, and shall apply to, inure to the benefit of, and bind the respective successors in interest thereof, for the benefit of the Board and all Owners and Occupants. Each and all of the Restrictions are imposed upon the entire Burdened Property unless expressly stated as applicable to a specific portion of the Burdened Property. Each and all of the Restrictions run with the land pursuant to section 1471 of the Civil Code. Each and all of the Restrictions are enforceable by the Board.

1.2 Concurrence of Owners and Lessees Presumed. All purchasers, lessees, or possessors of any portion of the Burdened Property shall be deemed by their purchase, leasing, or possession of such Burdened Property, to be in accord with the foregoing and to agree for and among

themselves, their heirs, successors, and assignees, and the agents, employees, and lessees of such owners, heirs, successors, and assignees, that the Restrictions as herein established must be adhered to for the benefit of the Board and the Owners and Occupants of the Burdened Property and that the interest of the Owners and Occupants of the Burdened Property shall be subject to the Restrictions contained herein.

1.3 Incorporation into Deeds and Leases. Covenantor desires and covenants that the Restrictions set out herein shall be incorporated in and attached to each and all deeds and leases of any portion of the Burdened Property. Recordation of this Covenant shall be deemed binding on all successors, assigns, and lessees, regardless of whether a copy of this Covenant and Agreement has been attached to or incorporated into any given deed or lease.

1.4 Purpose. It is the purpose of this instrument to convey to the Board real property rights, which will run with the land, to facilitate the remediation of past environmental contamination and to protect human health and the environment by reducing the risk of exposure to residual hazardous materials.

ARTICLE II DEFINITIONS

2.1 Board. "Board" shall mean the California Regional Water Quality Control Board for the San Francisco Bay Region and shall include its successor agencies, if any.

2.2 Improvements. "Improvements" shall mean all buildings, roads, driveways, regradings, and paved parking areas, constructed or placed upon any portion of the Burdened Property.

2.3 Occupants. "Occupants" shall mean Owners and those persons entitled by ownership, leasehold, or other legal relationship to the exclusive right to use and/or occupy all or any portion of the Burdened Property.

2.4 Owner or Owners. "Owner" or "Owners" shall mean the Covenantor and/or its successors in interest, who hold title to all or any portion of the Burdened Property.

ARTICLE III DEVELOPMENT, USE AND CONVEYANCE OF THE BURDENED PROPERTY

3.1 Restrictions on Development and Use. Covenantor promises to restrict the use of the Burdened Property as follows:

a. No Owners or Occupants of the Property or any portion thereof shall drill, bore, otherwise construct, or use a well for the purpose of extracting water for any use, including but not limited to, domestic, potable, or industrial uses, unless expressly permitted in writing by the Board.

b. The Covenantor agrees that the Board, and/or any persons acting pursuant to Board authority, shall have reasonable access to the Burdened Property for the purposes of inspection, surveillance, maintenance, or monitoring, as provided for in Division 7 of the Water Code.

c. No Owner or Occupant of the Burdened Property shall act in any manner that will aggravate or contribute to the existing environmental conditions of the Burdened Property. All use and development of the Burdened Property shall preserve the integrity of any capped areas.

3.2 Enforcement. Failure of an Owner or Occupant to comply with any of the restrictions, as set forth in paragraph 3.1, shall be grounds for the Board, by reason of this Covenant, to have the authority to require that the Owner modify or remove any Improvements constructed in violation of that paragraph. Violation of the Covenant shall be grounds for the Board to file civil actions against the Owner as provided by law.

3.3 Notice in Agreements. After the date of recordation hereof, all Owners and Occupants shall execute a written instrument which shall accompany all purchase agreements or leases relating to the property. Any such instrument shall contain the following statement:

The land described herein contains hazardous materials (petroleum hydrocarbon as motor oil) in ground water under the property, and is subject to an environmental deed restriction dated as of (fill in), 2007, and recorded on (fill in), 2007, in the Official Records of San Mateo County, California, as Document No. (fill in), which Covenant and Restriction imposes certain covenants, conditions, and restrictions on usage of the property described herein. This statement is not a declaration that a hazard exists.

In conjunction with and incorporated into the Environmental Deed Restriction as Exhibit "B" is an Environmental Fact Sheet, which has been prepared in order to provide an understanding of the residual environmental conditions in groundwater beneath the property. Any owner selling any portion of their property within this development must provide a copy of this Environmental Fact Sheet to all prospective purchasers. In addition, the property owner must allow all prospective purchasers adequate time to review the Environmental Fact Sheet, prior to accepting a purchase offer. Should any prospective purchaser request a copy of the Environmental Deed Restriction; the seller must provide a copy in a timely manner.

ARTICLE IV VARIANCE AND TERMINATION

4.1 Variance. Any Owner or, with the Owner's consent, any Occupant of the Burdened Property or any portion thereof may apply to the Board for a written variance from the provisions of this Covenant.

4.2 Termination. Any Owner or, with the Owner's consent, any Occupant of the Burdened Property or a portion thereof may apply to the Board for a termination of the Restrictions as they apply to all or any portion of the Burdened Property.

4.3 Term. Unless terminated in accordance with paragraph 4.2 above, by law or otherwise, this Covenant shall continue in effect in perpetuity.

ARTICLE V MISCELLANEOUS

5.1 No Dedication Intended. Nothing set forth herein shall be construed to be a gift or dedication, or offer of a gift or dedication, of the Burdened Property or any portion thereof to the general public.

5.2 Notices. Whenever any person gives or serves any notice, demand, or other communication with respect to this Covenant, each such notice, demand, or other communication shall be in writing and shall be deemed effective (1) when delivered, if personally delivered to the person being served or official of a government agency being served, or (2) three (3) business days after deposit in the mail if mailed by United States mail, postage paid certified, return receipt requested:

If To: "Covenantor"
Garlock and Company
1450 El Camino Real
Menlo Park, CA 94025

If To: "Board"
Regional Water Quality Control Board
San Francisco Bay Region
Attention: Executive Officer
1515 Clay Street, Suite 1400
Oakland, California 94612

5.3 Partial Invalidity. If any portion of the Restrictions or terms set forth herein is determined to be invalid for any reason, the remaining portion shall remain in full force and effect as if such portion had not been included herein.

5.4 Article Headings. Headings at the beginning of each numbered article of this Covenant are solely for the convenience of the parties and are not a part of the Covenant.

5.5 Recordation. This instrument shall be executed by the Covenantor and by the Executive Officer of the Board. This instrument shall be recorded by the Covenantor in the County of San

Mateo within ten (10) days of the date of execution.

5.6 References. All references to Code sections include successor provisions.

5.7 Construction. Any general rule of construction to the contrary notwithstanding, this instrument shall be liberally construed in favor of the Covenant to effect the purpose of this instrument and the policy and purpose of the Water Code. If any provision of this instrument is found to be ambiguous, an interpretation consistent with the purpose of this instrument that would render the provision valid shall be favored over any interpretation that would render it invalid.

IN WITNESS WHEREOF, the parties execute this Covenant as of the date set forth above.

Covenantor: Garlock and Company

By: William F. Garlock

Title: William F. Garlock

Date: _____

Agency: State of California
Regional Water Quality Board,
San Francisco Bay Region

By: Bruce H. Wolfe

Title: Executive Officer

Date: June 7, 2007

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Alameda

SS.

On JUNE 7, 2007

Date

, before me,

Howard Leong, Notary Public

Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared

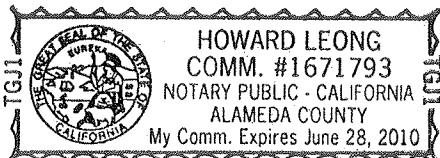
BRUCE H WOLFE & William F. Garlock

Name(s) of Signer(s)

☐ personally known to me

☒ proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Place Notary Seal Above

Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document:

COVENANT

Document Date:

Number of Pages:

Signer(s) Other Than Named Above:

Capacity(ies) Claimed by Signer

Signer's Name:

- ☐ Individual
- ☐ Corporate Officer — Title(s): _____
- ☐ Partner — ☐ Limited ☐ General
- ☐ Attorney in Fact
- ☐ Trustee
- ☐ Guardian or Conservator
- ☐ Other: _____

Signer Is Representing:

RIGHT THUMBPRINT
OF SIGNER
Top of thumb here

EXHIBIT A
LEGAL DESCRIPTION OF PROPERTY

DESCRIPTION:

The land referred to herein is situated in the State of California, County of San Mateo, City of East Palo Alto, and is described as follows:

LOT 11, 12, 13 AND 14, AS DESIGNATED ON THE MAP ENTITLED, "GARDEN ACRES SITUATED IN RANCHO DE LAS PULGAS SAN MATEO COUNTY, CALIF.", WHICH MAP WAS FILED IN THE OFFICE OF THE RECORDER OF THE COUNTY OF SAN MATEO, STATE OF CALIFORNIA ON MAY 7, 1931, IN LIBER 19 OF MAPS AT PAGES 53 AND 54, EXCEPTING FROM LOTS 13 AND 14, AN UNDIVIDED ONE-HALF (1/2) INTEREST IN AND TO ALL OIL AND MINERAL RIGHTS AS RESERVED IN THE DEED, DATED OCTOBER 11 1946 FROM JOHN H. BRUNINGS, ALSO KNOWN AS JOHN HENRY BRUNINGS TO CHARLES F. QUARTIROLI, A SINGLE MAN, AN UNDIVIDED 1/3 INTEREST, TIMOTHY DANIEL MC CARTHY, A SINGLE MAN, AN UNDIVIDED 1/3 INTEREST AND EDWARD A. DOLAN AND KATHLEEN ANNE DOLAN HIS WIFE, IN JOINT TENANCY, AN UNDIVIDED 1/3 INTEREST, RECORDED NOVEMBER 27, 1946, IN BOOK 1300, AT PAGE 364 AS SERIES NO. 38696-G, SAN MATEO COUNTY RECORDS.

APN: 063-121-020; 200 & 210 JPN: 063-12-121-21A; 20-A & 02-A

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"THE INFORMATION ON THIS PLAT IS PROVIDED FOR YOUR CONVENIENCE AS A GUIDE TO THE GENERAL LOCATION OF THE SUBJECT PROPERTY. THE ACCURACY OF THIS PLAT IS NOT GUARANTEED. NOR IS IT A PART OF ANY POLICY REPORT OR GUARANTEE TO WHICH IT MAY BE ATTACHED."

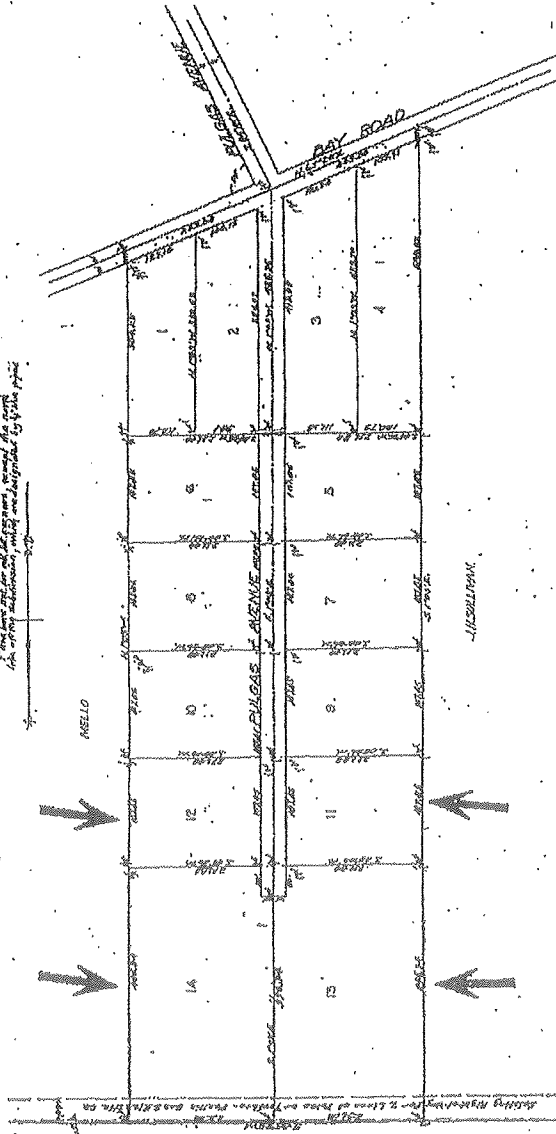
MAP CONSISTING OF TWO SHEETS
OF -
GARDEN ACRES

SITUATED IN
RANCHO DE LAS PULGAS
San Mateo County, Calif.

San Mateo
San Jose, California

April 1978
Scale 1/4" = 100 ft.

Notes: All distances given are of each
lot from the center of the road, unless the center
line is indicated, which is designated by a line with
a center line symbol.



TOTAL P.01

EXHIBIT B
ENVIRONMENTAL FACT SHEET

2555 PULGAS AVENUE PROPERTY
East Palo Alto

ENVIRONMENTAL FACT SHEET

("Exhibit B" of Environmental Covenant and Deed Restriction)
June 2007

Introduction

This Environmental Fact Sheet (Fact Sheet) has been prepared to inform and disclose to prospective purchasers the previous uses, environmental investigations, cleanup of petroleum polluted soil and residual groundwater pollution on the 2555 Pulgas Avenue property. This Fact Sheet is included as "Exhibit B" of an Environmental Deed Restriction which has been recorded on the title of this property. This Environmental Deed Restriction prohibits the use of groundwater beneath the property. Water for this property as well as the entire Ravenswood Industrial Area is supplied by municipal supply and there is no need to use underlying groundwater.

Pursuant to Section 3.3 of the Environmental Deed Restriction, it is the responsibility of the current property owner of any portion of the property within the 2555 Pulgas Avenue development to provide all prospective purchasers of their property a copy of this Fact Sheet, and if requested, a copy of the associated Environmental Deed Restriction. The current owner must allow prospective purchasers adequate time to review the Fact Sheet, and if requested, the Environmental Deed Restriction, prior to accepting any purchase offer. The Regional Water Quality Control Board, San Francisco Bay Region (Water Board), has been the lead regulatory agency overseeing environmental investigation and cleanup of this property, as well as many others in the Ravenswood Industrial Area. The Water Board is one of the agencies within the California Environmental Protection Agency.

Background

Garlock & Company, acquired the subject 2555 Pulgas Avenue property for the purpose of constructing a mixed use/live-work style development. As part of the purchase process, an environmental review was performed on the property to identify any potential environmental concerns. This "*Phase I Assessment*" included in part a historic review of uses on the property, looked at chemicals used, where and how they were used, and processes that may have caused impacts to the property. The property was used primarily for agricultural purposes, construction storage, and vehicle/equipment storage/maintenance. Based on these types of uses, the suspected potential pollutants would include: pesticides, petroleum products, solvents, anti-freeze and metals.

Environmental Investigations

A field investigation or "*Phase II Assessment*" was conducted to collect soil and groundwater samples to determine whether or not the property had been impacted and to what degree. Samples collected were analyzed for the suspected pollutants identified above. The analytical results of the investigation were compared to the Water Board's, Environmental Screening Levels (ESLs) for residential use of property, as well as naturally occurring background levels (for metals). The ESLs are a set of chemical specific tables developed by the Water Board to screen sites with potential environmental concerns. The ESLs have been developed for both soil and water pollution, and address both human

health and ecological protection. They are generally considered very conservative when used as cleanup levels for a site.

Cleanup Actions

Upon comparing analytical results of data collected to the ESLs, only petroleum hydrocarbons in the form of a motor oil type compound was found to exceed its ESL in both soil and groundwater. In order to address this environmental concern, approximately 320 cubic yards of soil impacted with motor oil type petroleum hydrocarbons were excavated and removed from the Site between June and October 2006. Once the soil had been removed, confirmation samples were collected to verify that no soil remained above the ESL.

With respect to residual petroleum in groundwater, the Water Board staff has agreed that since the impacted soil which affected the groundwater has been removed, the residual petroleum left in groundwater will naturally degrade over time and eventually restore groundwater quality. As the petroleum impacted groundwater does not pose a significant human health threat and it is not being used for any purpose, this is an acceptable approach. In order to insure that groundwater is not used, an Environmental Deed Restriction has been recorded on the property. The Environmental Deed Restriction will prohibit the use of underlying groundwater for any purposes.

Site Documents

The environmental documents generated during the investigation and cleanup of the property are available for public review at the Water Board's offices in Oakland. The offices are located at 1515 Clay Street, 14th Floor. Please reference File No. 41S0302.

Primary list of documents produced for environmental review and assessment of the property:

Phase I Environmental Site Assessment (E2C Inc, May 5, 2005)

Phase II Environmental Site Assessment Report (E2C Inc, Aug. 12, 2005)

Phase II Near Surface Sampling Report (E2C Inc, April 6, 2007)

Soil Excavation Report (E2C Inc, July 13, 2006)

Report of Definition Sampling at Previous Excavations (E2C Inc, Sept. 29, 2006)

Over Excavation Report (E2C Inc, Oct. 30, 2006)

ACKNOWLEDGMENT

State of California

County of San Mateo

On June 22, 2007 before me, Deborah M. Rodriguez, Notary Public,
(here insert name and title of the officer)

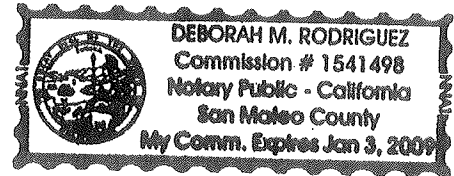
personally appeared William F. Garlock

personally known to me (~~or proved to me on the basis of satisfactory evidence~~) to be
the person(s) whose name(s) is/~~are~~ subscribed to the within instrument and
acknowledged to me that he/~~she~~/~~they~~ executed the same in his/~~her~~/~~their~~ authorized
capacity(~~ies~~), and that by his/~~her~~/~~their~~ signature(s) on the instrument the person(s),
or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature

Deborah M. Rodriguez



(Seal)